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ROUGH DRAFT

MEMORANDUM FOR THE RECORD

SUBJECT: Central Intelligence Agency and Department of the Air Force
Basic Understandings in Connection with Procurement Under
Project OXCART, Contract No. SB-2460, Lockheed Aircraft
Corporation, Department of the Air Force Contract No. AF33(600)-
62245

- REF: (a) Department of the Air Force letter to DCI dated
11 January 1956 signed by Trevor Gardner (TS-142960)
(b) DCI letter to the Secretary of the Air Force dated
30 January 1956 signed by Allen W. Dulles (TS-142959)
(c) Memorandum for the Record, subject same as this Memor-
andum for the Record, dated 1 January 1956 (TS-143314)

1. Reference (a) and (b) represent the basic agreement reached between
the Central Intelligence Agency and the Department of the Air Force with
respect to the utilization of special CIA contractual mechanism to procure
certain supplies and services required by the Air Force. By reference

(c), procurements under Project AQUATONE in support of Project OARFISH/Air
Force were made to the mutual benefit and gain to the United States
Government.

2. New requirements have been established, the fulfillment of which will
again be to the mutual benefit of both the CIA and the Department of the
Air Force. Accordingly, the general agreements as outlined by reference
(c) and as reiterated herein, set forth the basic general understanding of
procurement and production efforts under Project OXCART/AF-12

3. Basic general understandings are as follows:

a. The Air Force will provide necessary funds for the required procure-
ments and will provide to the CIA written requirements for the procurement
guides of CIA. Such written requirements will be authenticated on the part
of the Air Force by the signature of Lt. Colonel S. W. Brewer, 49274A, as
the Air Materiel Command representative in the Weapon System Project Office.

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b. CIA will implement the requirements set forth in writing by the authorized Air Force representative by negotiation of a contract, or contracts, for delivery of the required services and supplies. To assure mutual understanding, the authorized Air Force representative will certify that each proposed contract is consistent with and in fulfillment of previously stated Air Force requirements.

c. The policies and procedures to be followed in connection with contracts negotiated on behalf of the Air Force by CIA shall be the same policies and procedures in effect on CIA contracts for similar procurements under Project OXCART. Requirements set forth by the Armed Services Procurement Regulations shall be complied with to the greatest extent possible, consistent with the unique security considerations inherent in these procurements.

d. The Air Force and CIA shall maintain close liaison with each other on all aspects of Project OXCART/AF and shall consult with each other, utilizing personnel designated for this purpose, whenever such consultation is required or indicated.

4. Specific Understandings:

a. Security: It is agreed that all aspects of security control in connection with Contract No. ~~33-3660~~ *under this agreement* are the responsibility and province of CIA. The Air Force shall be guided by the CIA in the discharge of Air Force

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 security responsibilities under Contract No. 9B-3660 and the Air Force shall lend to CIA all assistance and cooperation in maintenance of the necessary level of security. ~~Air Force personnel shall not be made knowledgeable of Project OXCART or of Project OXCART/AF without prior CIA approval.~~

Clearance requirements for the A-12 program will be handled through AFCEIS in the same manner as the basic A-12 CIA-US AF program
 b. Modifications:

(1) The basic concept governing the procurement of aircraft under Contract No. 9B-3660 contemplates that three (3) versions of the A-12 being procured will be prototypes and test beds for the early development and possible acquisition of a follow-on program of a greater number of A-12's configured as long range interceptors. It is anticipated that 80% of the design and development effort on the A-12 will be applicable to the Air Force LRI version. With the exception of the design criteria necessary to develop the LRI, all other aspects of the A-12 LRI version will be as nearly identical as possible to the original A-12 version in order to affect the greatest percentage of interchangeability possible. Any modifications desired by the Air Force, exclusive of those required in the development of the LRI, shall be made known to the CIA for purposes of determining whether such modifications are of interest to the CIA with respect to its own procurement of aircraft.

(2) With particular reference to mission equipments, it is recognized that the Air Force will desire installations peculiar to its own mission and not necessary within the scope of current CIA contractors. In those areas where the Air Force desires to procure equipments from

suppliers not presently under contract to CIA, the CIA will ~~make its~~
~~best efforts to~~ place such a contract with the sources desired by the
Air Force.

c. Progress Reports: Progress Reports under Contract No. SB-3660
shall be submitted to the Air Force Project Office. The Contracting
Officer will also receive a copy of each progress report for review
and ~~for~~ retention.

5. Implementation -- CIA Responsibilities:

a. Negotiate and execute contracts on the basis of written require-
ments from the Air Force representative to the Contracting Officer.

b. Issue to contractors from time to time change orders to the
contracts to reflect additional or changed requirements indicated in
writing to the Contracting Officer by the Air Force representative.
(Any and all changes in contract requirements and specifications whether
involving additional costs or whether involving no additional costs,
shall be issued to the Contractor through the Contracting Officer.)

c. Pay progress payments during life of contract.

d. Establish a secure payment procedure for vouchers submitted by
the Contractor.

e. Establish in conjunction with Air Force, a system of inspection
and acceptance. Inspection and acceptance duties shall be the responsi-
bility of the Air Force.

f. Arrange with the Contractor for periodic reports (fiscal,
financial and work progress).

g. Arrange with the Air Force and the Contractor for an audit system utilizing cleared Air Force auditors.

h. Arrange for delivery and shipment of completed items.

i. Agree with the Contractor and the Air Force as to time and method of redetermination of the contract price.

6. Implementation -- Air Force Responsibilities:

a. Furnish written requirements for procurement guidance of CIA, including initial Letter Contract, Definitive Contract, and specification or other changes desired by the Air Force regardless of whether or not such changes involve a change in the cost of the services and supplies.

b. Furnish inspection and acceptance personnel.

c. Monitor contract performance from a technical standpoint and advise Contracting Officer accordingly.

d. Furnish delivery and shipping instructions for completed items.

e. Furnish cleared audit personnel to be utilized on contracts for the advice and guidance of the Contracting Officer, Approving Officer, and Certifying Officer.

f. Furnish certification of satisfactory contractor performance from a technical standpoint for the advice and guidance of the Contracting Officer.

g. Furnish any other advice, guidance or materiel required by the Contracting Officer and available in the Air Force to effectively negotiate, administer, and settle Contract No. SB-3660.

h. Furnish any GFAE required for effective performance of the contract work.

7. Other Provisions.

a. As previously agreed by Mr. Bissell and Gen. Estes, LAC line ship #6 will be configured as a prototype AF-12 and assigned to the Air Force. LAC line ship #11 will be assigned to the CIA, thus - affording an early Air Force evaluation of the LRI version.

b. The Air Force will use CIA flight test facilities consistent with the dictates of security and program interests.

c. A representative of the Air Force Project Office will participate in the early flight test evaluation programs of the A-12. Such participation being primarily in the interest of mutually furthering the development of the weapon system.

d. A representative of the Air Force office may participate, as deemed appropriate, in management meetings held from time to time during the development of the A-12.